

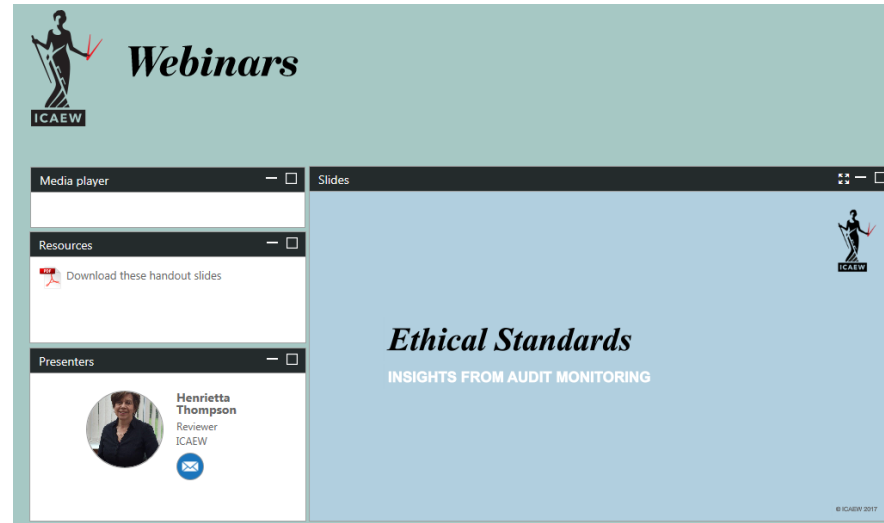


# ***MTD Phase 2 – Are you Ready?***

IN ASSOCIATION WITH SAGE & HMRC

FACILITATED BY ROZ HARRINGTON, ICAEW

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# MTD Phase 2 Are you ready?

*11 February 2021*

# Webinar Housekeeping



MTD Phase 2  
Are you ready?

15 Dec 2020

Your microphone is muted automatically

Send us your questions

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Questions

Want answers?

Ask the staff a question

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# Introductions



**Verna Gellvear**

MTD Readiness  
HMRC



**Amy Noblett**

Product Manager  
Sage



**Chris Downing**

Director for Accountants  
and Bookkeepers  
Sage

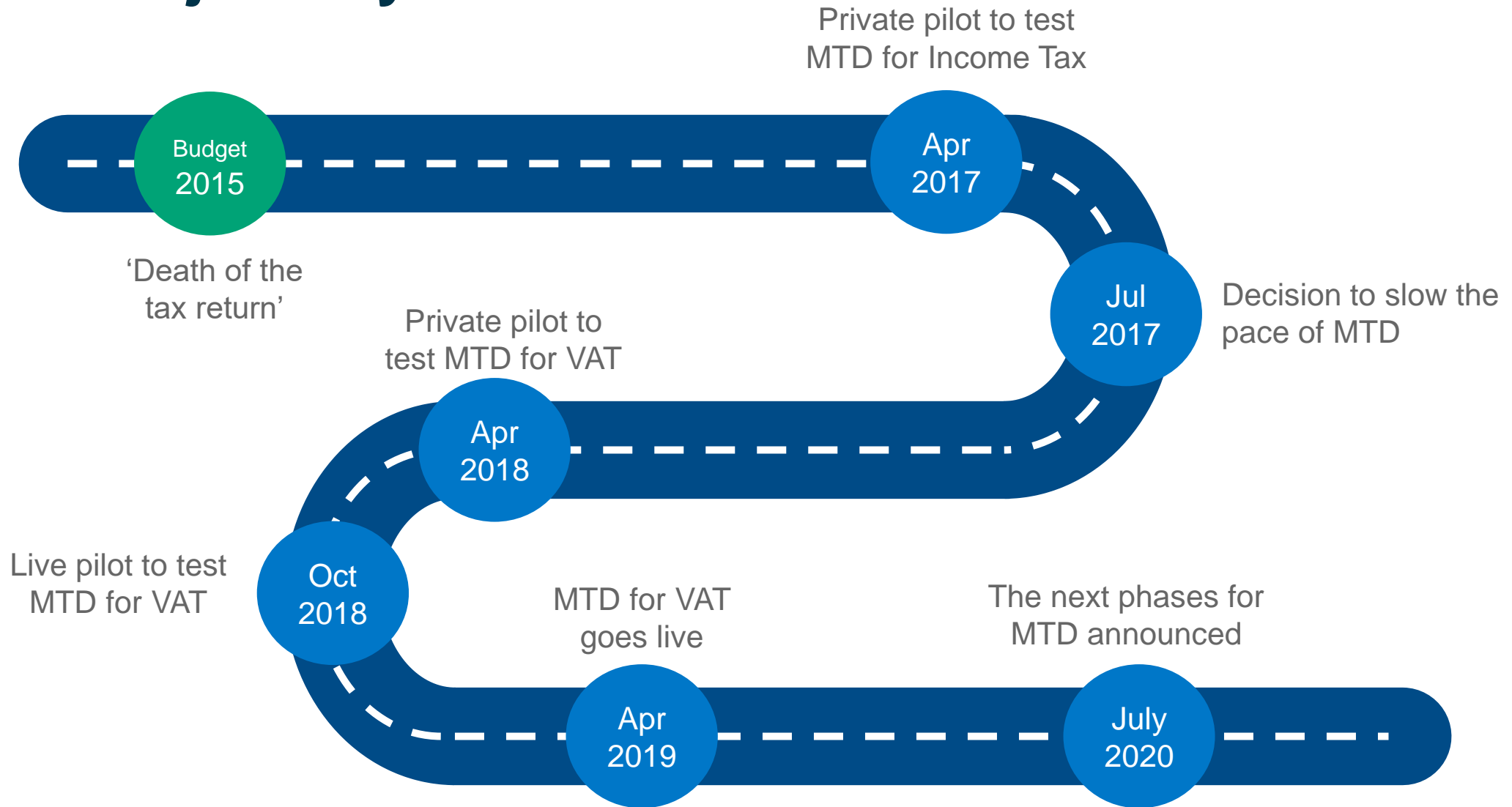
# Agenda

●	Recap on Making Tax Digital from HMRC
●	Making Tax Digital Roadmap & Timescales
●	Overview of the Legislation and what this means for your practice
●	How Sage will help and support you & your clients
●	Q&A's



# Recap on Making Tax Digital - HMRC

# The MTD journey so far





# MTD for VAT so far .....



Over **1.4 million** sign-ups for MTD for VAT so far

Over **85% of all business** mandated to join MTD for VAT are now signed up to the MTD service

Over **30% of non-mandated** businesses have signed up to submit MTD VAT returns voluntarily

Over **6.5 million** VAT returns have been successfully submitted through the MTD service

MTD evaluation for VAT published in March 2020 found that:

- ➡ Businesses using fully automated MTD software were starting to benefit from improving working practices, reducing scope for error and time savings
- ➡ Some businesses had already reported wider productivity gains and reductions in input errors
- ➡ MTD had the potential to be a significant driver of technology uptake among businesses

Neutral to positive feedback received by HMRC on the announcement of the future mandation of MTD for VAT and other business and for ITSA

# HMRC Roadmap & Timelines



## CT Consultation

## VAT Soft Landing

## Income Tax Pilot

## VAT Extension

## ITSA Mandation

Nov  
2020

Mar  
2021

Apr  
2021

Apr  
2022

Apr  
2023

Consultation on MTD for Corporation Tax issued. HMRC will not mandate MTD for CT prior to 2026

Extension of soft landing period for maintaining digital links for all parts of functional compatible software

The current pilot for MTD for Income Tax extended to enable more businesses to join (removal of current restrictions on joining)

MTD will apply to all VAT-registered businesses for their VAT obligations

Businesses & landlords with business income >£10k per annum which are liable for Income Tax will need to keep digital records & use software to update HMRC quarterly

# Introduction to MTD for Income Tax

# Introduction to MTD for ITSA



- Finance (No.2) Act 2017 provides certainty about the broad framework in which Making Tax Digital will operate
- Secondary legislation for VAT laid in February 2018, which came into force from April 2019.



Self-employed businesses & landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax from their next accounting period starting on or after 6 April 2023.

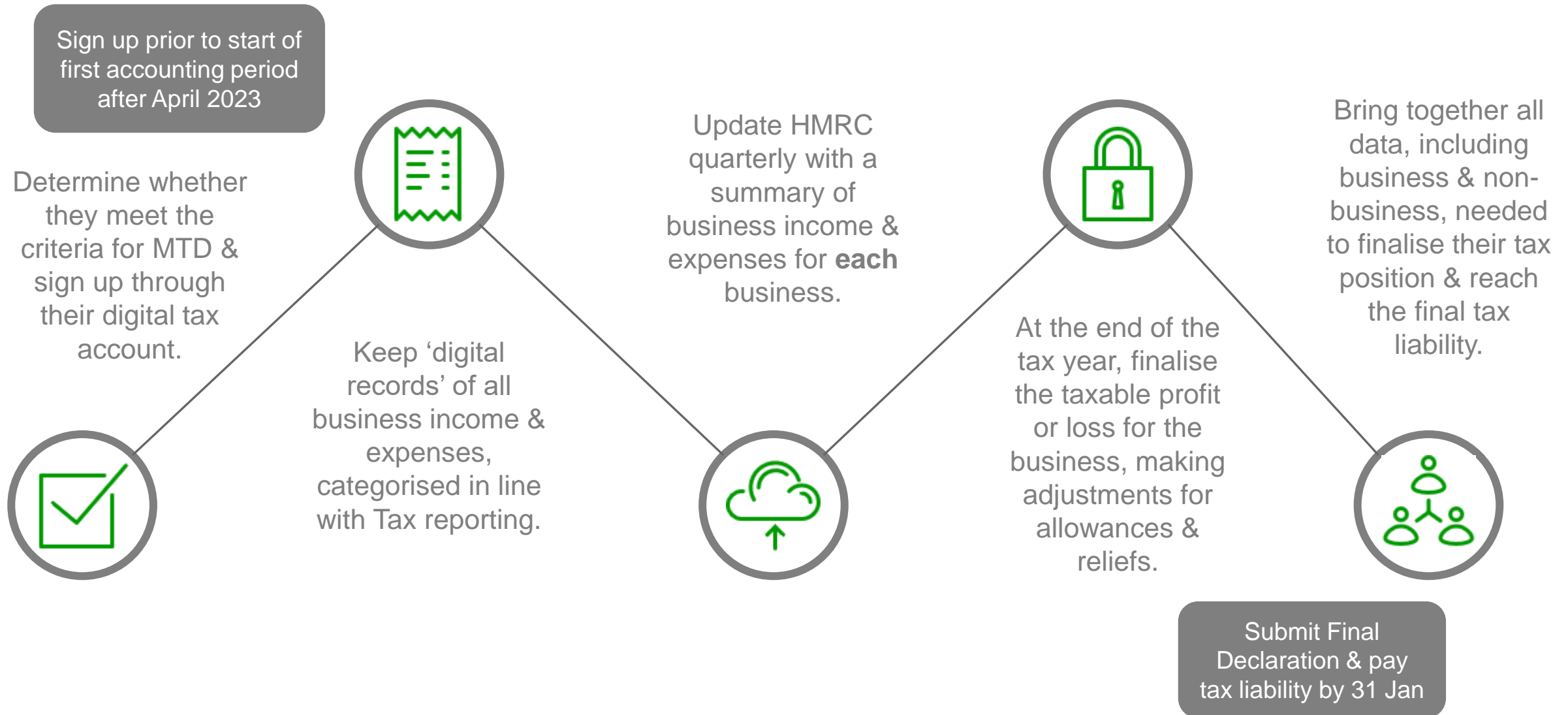


- Keep digital records of income & expenses for each business.
- Update HMRC at least every 3 months via software.
- Submit allowances & adjustments for each business at least once a year.
- Finalise of business income sources with an End of Period Statement.

# Who's Affected

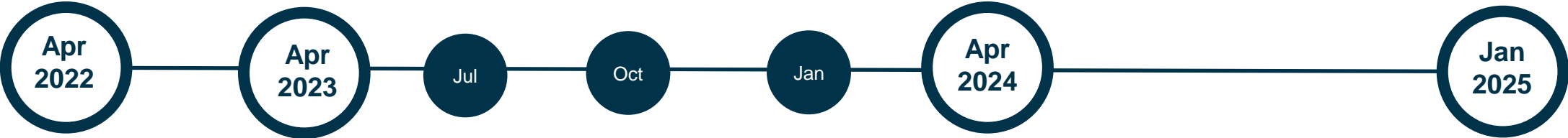


# What It Means For Those Affected





# What It Means In Year 1

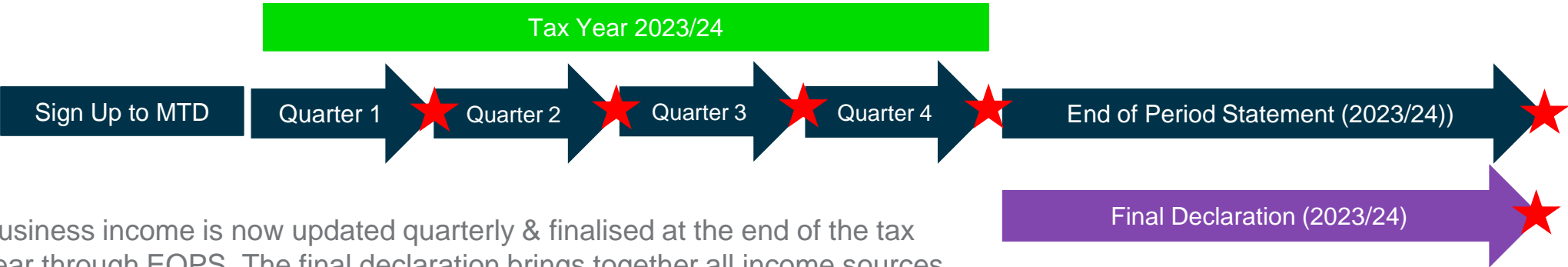


## Self Assessment: non MTD:



Tax payer has until 31 Jan following the end of the tax year to file their return & pay any tax due.  
2022/23 will be the last non-MTD period for most, with a filing deadline of January 2024

## Self Assessment: MTD:



Business income is now updated quarterly & finalised at the end of the tax year through EOPS. The final declaration brings together all income sources (including what has been submitted through MTD) to arrive at final tax liability.

★ Submissions



## Sign Up

- Businesses that fall within the scope of MTD will need to be signed up prior to the start of their first accounting period post April 2023.
- Driving awareness with clients will be key to ensure a smooth transition, keep in mind overlap with previous tax year.
- Clients can sign up directly or by you as their agent. You'll need to be authorised to act for the client to do this.
- Expected that there will be a sign up 'window' for each business, depending on their accounting year end.



- ✓ Segmenting your base will help to identify clients early & manage the process.
- ✓ The business accounting period start & end dates will determine when they need to transition.
- ✓ Identify clients with more than one eligible business.



# Maintain Digital Records

- 'Digital records' for a business means records of each of the transactions made in the course of the business, including amount, dates and HMRC tax categories.
- Keeping only paper records will no longer be acceptable.
- Spreadsheets will continue to be accepted, but compatible software will be needed to send the updates to HMRC, retaining digital links.
- Date, amount & tax category must be captured as a minimum.



- ✓ Start getting clients in to 'good habits' now when it comes to record keeping.
- ✓ Promote benefits of efficiencies of 'going digital'.
- ✓ Consider process for distinguishing transactions where there's more than one business.



# Update HMRC Quarterly

“An electronic submission of summary totals for specified categories from the digital records of **each business** on a quarterly basis (obligation period) from the software to HMRC using APIs.”

- The first submission should include ‘designatory data’ about the tax payer & the business.
- Updates are due from 10 days before, to one month after the quarter end date.
- The update does not need to include a statement that the data is complete & accurate – no tax is paid at this point.
- HMRC return a calculation of the tax liability based on the information sent.



- ✓ Consider the impact on your work load of more frequent reporting.
- ✓ Revised terms of engagement & fees.
- ✓ Consider the accuracy of a tax estimate.
- ✓ Remember updates are for each business.



# End of Period Statement

- Process to **finalise** the taxable profit or allowable loss for **any one source** of business income.
- The process will pull the information already submitted in the quarterly updates & make adjustments/additional information – such as allowances & reliefs.
- If not already included in quarterly updates, disallowable expenditure must be adjusted for.
- The submission must include a declaration that the information is complete & correct.
- Once submitted, HMRC return a tax calculation.



- ✓ Consider the benefits of filing immediately after the tax year.
- ✓ Annual adjustments can be submitted 'real time' – you don't have to wait.



# Final Declaration

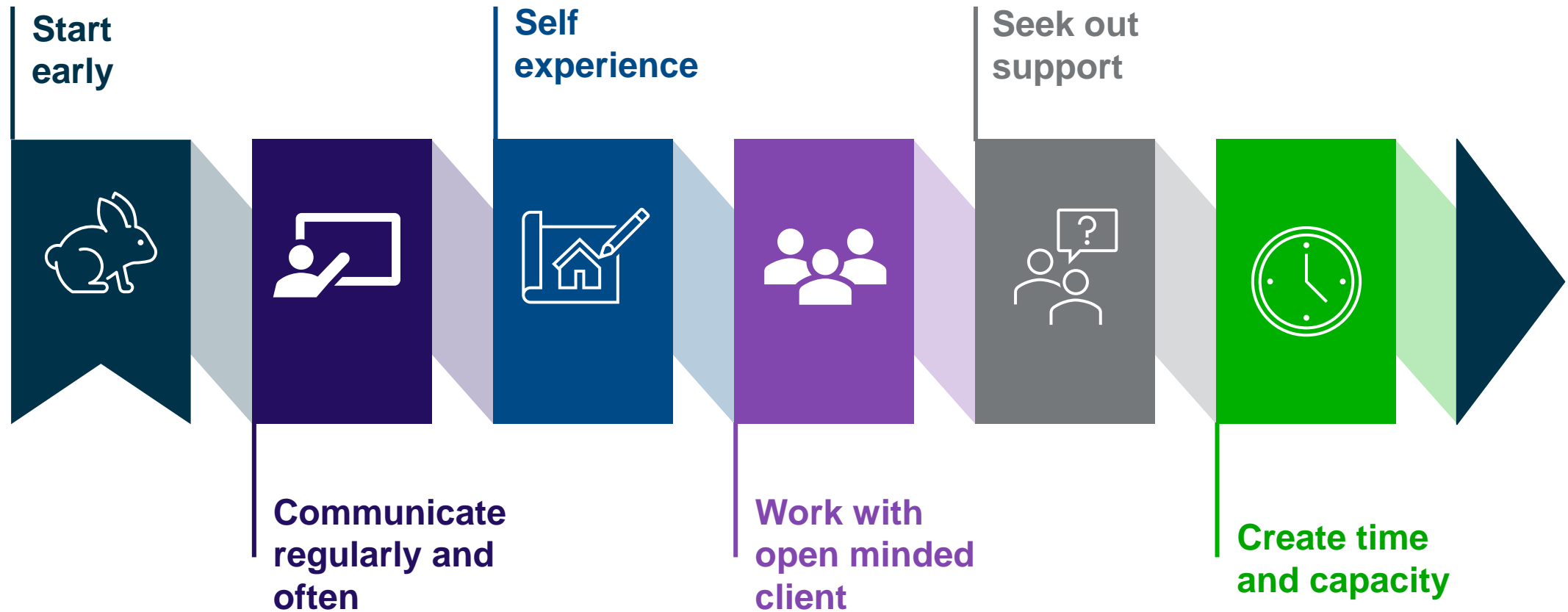
- Also referred to as crystallisation, this is the process to bring together all data needed to finalise tax position & reach the final tax liability.
- It takes in to account all sources of income & gains, whether business or otherwise.
- It effectively replaces the SA100 tax return.
- 31 January deadline for filing & payment of tax.
- Any income tax liability must also be paid by 31 January.
- HMRC will provide a Submission Interface to allow filing without the need for software.



- ✓ Think about the full end to end workflow.
- ✓ Encourage clients to provide more 'real time' updates on non-business income sources.
- ✓ End of the January rush?



# What did we learn from MTD for VAT?

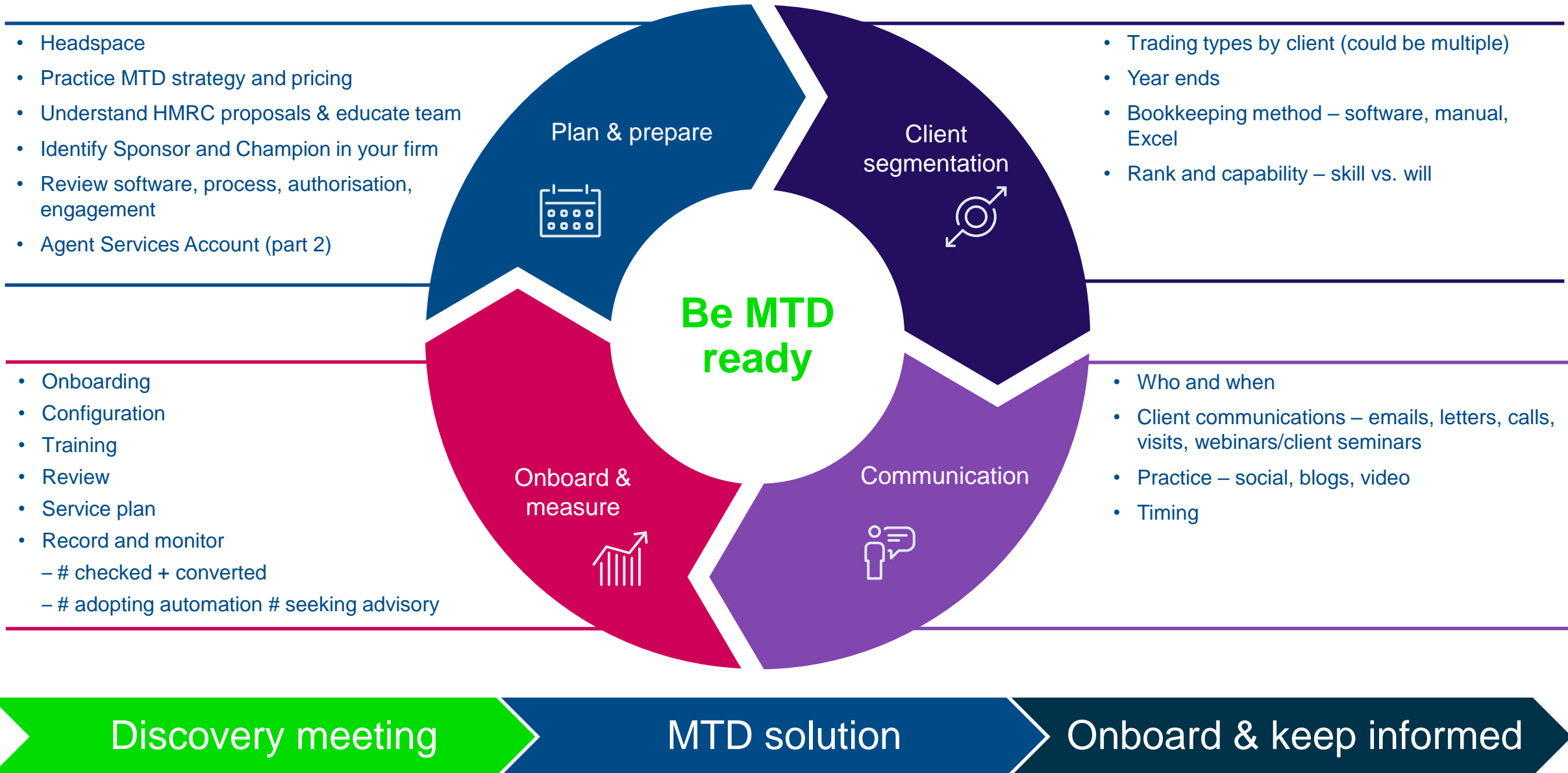


Solving the problem

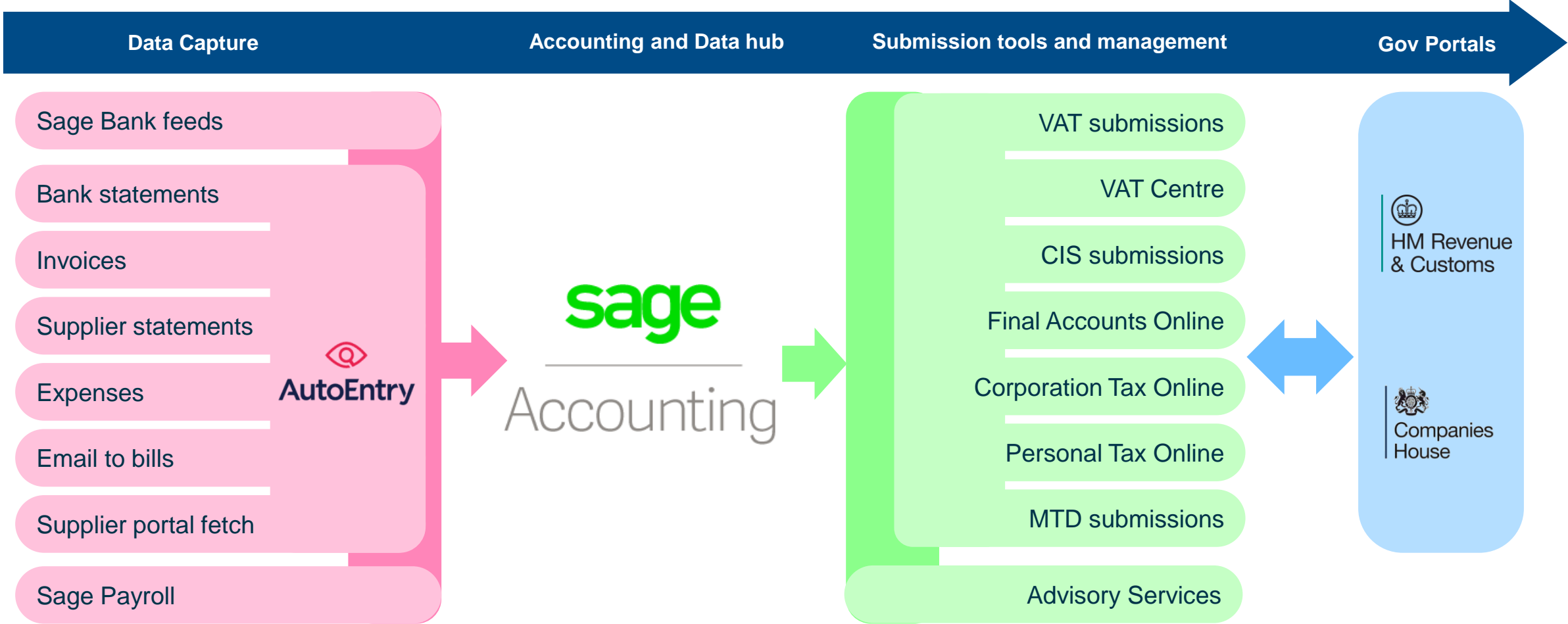
Optimising the opportunity

Maintaining work/life balance

# MTD – your 4 step journey



# Optimising the workflow



# Help from Sage





# Questions from the audience



*Any questions?*



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